

**DEPARTMENT OF TREASURY**

**DEPARTMENTAL OFFICE**  
**Air Transportation Stabilization Program**

**FISCAL YEAR 2006**  
**CONGRESSIONAL BUDGET SUBMISSION**

**DEPARTMENTAL OFFICES**  
**FY 2006 PERFORMANCE BUDGET REQUEST**  
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## **SECTION 1 - STRATEGIC CONTEXT**

### **STRATEGIC CONTEXT FOR THE FY 2006 BUDGET/PERFORMANCE PLAN (Exhibit 1a)**

The Air Transportation Stabilization Board (ATSB) was established under the Air Transportation Safety and System Stabilization Act (Public Law 107-42) to issue federal credit instruments (loan guarantees) to assist air carriers that suffered losses as a result of the September 11, 2001 terrorist attacks on the United States. The act provides for the ATSB to be composed of the Chairman of the Board of Governors of the Federal Reserve System, the Secretary of the Department of Transportation, the Secretary of the Department of Treasury, and the United States Comptroller General (as a non-voting member) or their designees. Current voting members of the ATSB are: Chairman Edward Gramlich, Board of Governors of the Federal Reserve System; Timothy Bitsberger, Assistant Secretary for Financial Markets, United States Department of the Treasury; and, Jeffrey Shane, Undersecretary for Policy, Department of Transportation.

The ATSB reviews and makes decisions on applications for Federal credit instruments, and is authorized to issue up to \$10 billion in loan guarantees. The program is governed and accounted for in accordance with the provisions of the Federal Credit Reform Act of 1990. The ATSB received 16 applications prior to its June 28, 2002 application deadline requesting loan guarantees totaling \$3.6 billion. To date, the ATSB has approved seven applications and denied nine applications.

As of September 30, 2004, the ATSB had issued six Federal loan guarantees totaling \$1.6 billion to air carriers for term loans with maturities ranging from four-and-a-half to seven years. The ATSB receives guarantee fees from each borrower and has also received warrants representing 10%-33% of the equity in the borrower. These warrants can be exercised and sold at the ATSB's discretion.

The ATSB closely monitors its loan guarantee portfolio to determine the financial health of its borrowers and compliance with the terms of the loan agreements, including timely payment of fees and principal. Borrowers submit monthly and quarterly financial reports which are reviewed by the ATSB as well as the Board's outside financial consultants. The ATSB meets with the borrowers on a regular basis and Board members are briefed on any significant business developments as they occur. The ATSB's staff prepares a quarterly review of each borrower addressing the company's recent financial results, revenue and cost trends, performance versus plan, cash position, future obligations, and other credit considerations, and presents these reports to the Board.

## Air Transportation Stabilization Program

The ATSB also receives requests from borrowers for amendments and waivers to certain terms of their loan agreements. The ATSB reviews these requests to determine their impact on the ATSB's credit position and votes on whether to approve the requests. As of

December 31, 2004, three of the ATSB's five remaining borrowers had filed for protection under Chapter 11 of the bankruptcy code. The ATSB is working with each of these borrowers through the bankruptcy process to ensure that the taxpayers' interests are protected. The ATSB has taken and will continue to take all actions necessary to maximize the Federal government's recovery on each of these defaulted loans.

<b>DEPARTMENTAL OFFICES SUPPORT FOR TREASURY GOALS AND OBJECTIVES (Table 1.1)</b>
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The table below displays the relationship between Departmental Office's strategic and performance goals to Treasury's Strategic Plan.

Treasury Strategic Goal: Promote Stable U.S. and World Economies (E2)	
Treasury Strategic Objective	DO Performance Goal
Increase citizens' economic security (E2A)	Improve citizens' economic security

<b>APPROPRIATION LANGUAGE SHEET AND JUSTIFICATION OF LANGUAGE CHANGES (Exhibit 1c)</b>
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DEPARTMENT OF THE TREASURY  
DEPARTMENTAL OFFICES

FEDERAL FUNDS

General and Special Funds:

**AIR TRANSPORTATION STABILIZATION PROGRAM ACCOUNT**

For necessary expenses to administer the Air Transportation Stabilization Board, established by section 102 of the Air Transportation Safety and System Stabilization Act (Public Law 107-42), [\$2,000,000] \$2,942,000, to remain available until expended. *In fiscal year 2006, the Air Transportation Stabilization Board may charge fees to a borrower for the costs to the ATSB associated with bankruptcy proceedings of the borrower. Such fees shall be collected and deposited in the Air Transportation Stabilization Program Account, to be available for such costs. (Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005.)*

## SECTION 2 – THE PERFORMANCE BUDGET

SUMMARY OF TOTAL PROGRAM OPERATING LEVEL BY TREASURY GOAL AND OBJECTIVE (Table 2.1)				
(Dollars in Thousands)				
TREASURY GOAL/OBJECTIVE	FY 2004 Actual		FY 2005 Estimate	FY 2006 Estimate
<b>Treasury Goal: Promote Stable U.S. and World Economies (E2)</b>				
Appropriated Budget Obligations	\$2,523		\$1,984	\$2,942
Appropriated Full-time Equivalents (FTE)	6		6	6
Reimbursable Budget Obligations	0		0	0
Reimbursable Full-time Equivalents (FTE)	0		0	0
Total Budget Obligations	\$2,523		\$1,984	\$2,942
Total Full-time Equivalents (FTE)	6		6	6
<i>Objective: Increase citizens' economic security (E2A)</i>				
Appropriated Budget Obligations	\$2,523		\$1,984	\$2,942
Direct Full-time Equivalents	6		6	6
Reimbursable Budget Obligations	0		0	0
Reimbursable Full-time Equivalents	0		0	0
Total Budget Obligations	\$2,523		\$1,984	\$2,942
Total Full-time Equivalents	6		6	6

# Air Transportation Stabilization Program

ANALYSIS OF FY 2005 APPROPRIATED LEVEL (Table 2.2)											Amount	
											FTE	(\$000)
FY 2005 Consolidated Appropriations (H.R. 4818).....											6	\$2,000
Proposed Rescission (H.R. 2673).....												(16)
FY 2005 Enacted.....											6	1,984

DIGEST OF FY 2006 BUDGET ESTIMATES BY ACTIVITY (Table 2.3)												
(Dollars in Thousands)												
BUDGET ACTIVITY	FY 2004 Actual		FY 2005 Enacted		FY 2006 Budget Estimate		INCREASE (+) OR DECREASE (-) FOR FY 2006					
							TOTAL CHANGE		PROGRAM CHANGE		OTHER CHANGES	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Air Transportation Stabilization Board	6	\$2,277	6	\$1,984	6	\$2,942	0	\$958	0	\$0	0	\$958
Adjustments (+/-):												
Offsetting Collections - Reimbursable	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Total, Program Operating Level	6	\$2,277	6	\$1,984	6	\$2,942	0	\$958	0	\$0	0	\$958

Air Transportation Stabilization Program

SUMMARY EXPLANATIONS OF FISCAL YEAR 2006 REQUESTED CHANGES BY ACTIVITY (Table 2.6) (Dollars in Thousands)				
Requested Changes	Air Transportation Stabilization Board		Total	
	FTE	Amount	FTE	Amount
<b>PROGRAM INCREASES/REINVESTMENTS:</b>				
1. Loan Monitoring/Restructuring	0	958	0	958
<b>SUBTOTAL, PROGRAM INCREASES/REINVESTMENTS</b>	<b>0</b>	<b>958</b>	<b>0</b>	<b>958</b>
<b>OTHER CHANGES:</b>	0	0		0
<b>SUBTOTAL, OTHER CHANGES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL CHANGES, BUDGET AUTHORITY</b>	<b>0</b>	<b>958</b>	<b>0</b>	<b>958</b>

<b>SUMMARY OF PROGRAM INCREASES AND DECREASES (Exhibit 2a)</b>
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In FY 2006, funding requirements for the Air Transportation Stabilization Board are projected to be \$2,942,320. This is a total increase of \$958,000 above the FY 2005 total estimated funding level of \$1,984,000.

**AIR TRANSPORTATION STABILIZATION PROGRAM CHANGES**

**TOTAL REQUESTED PROGRAM CHANGES ..... +\$958,000 / +0 FTE**

**1. PROGRAM INCREASES/REINVESTMENTS ..... +\$958,000 /+0 FTE**

**a. Loan Monitoring/Restructuring ..... +\$958,000 / +0 FTE**

In the event that an air carrier suffers a financial crisis (e.g. bankruptcy), a full examination and analysis of loan repayment options must be undertaken. These additional resources are requested to perform the necessary analysis related to loan restructuring should an air carrier enter into bankruptcy. As of the December 31, 2004, three of the ATSB's five remaining borrowers had filed for protection under Chapter 11 of the bankruptcy code.

## SECTION 3 - EXPLANATION OF PERFORMANCE AND RESOURCES BY BUDGET ACTIVITY

### NARRATIVE SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (Exhibit 3a)

#### Budget Activity: Air Transportation Stabilization Board (ATSB)

The Air Transportation Stabilization Board supports Treasury's strategic goal to promote stable U.S. and world economies in its strategic objective of increasing citizens' economic security and safety.

**SUMMARY OF PROGRAM RESOURCES AND PERFORMANCE (Table 3.1)**  
(Dollars in Thousands)

Treasury Goal: Promote Stable U.S. and World Economies (E2)							
Budget Activity: Air Transportation Stabilization Board	FY 20001	FY 2002	FY 2003	FY 2004		FY 2005	FY 2006
	Performance	Performance	Performance	Target	Actual	Estimate	Estimate
Total Operating Level (appropriated and reimbursable)	NA	\$9,400	\$6,041	\$2,277	\$2,277	\$2,800	\$2,942
Total FTE (direct and reimbursable)	NA	0	8	6	6	6	6
Treasury Objective: Increase Citizens' Economic Security and Safety (E2A)							
Appropriated Resources [ <i>Salaries and Expense Account</i> ]	NA	\$9,400	\$6,041	\$2,277	\$2,277	\$2,800	\$2,942
Direct FTE	NA	0	8	6	6	6	6
Offsetting Collections [ <i>reimbursable</i> ]							
Reimbursable FTE							
Performance Goal: Improve Citizens' economic Security (New) (E2A)							
On-Time payment of federal loan guarantee fees and repayment of underlying loans by borrowers (Oe)	NA	NA	100%	100%	100%	100%	100%

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Customer Satisfaction Measure

<b>EVALUATION OF FY 2005 PERFORMANCE PLAN (Exhibit 3B)</b>
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Evaluation of FY 2005 Program Performance compared with FY 2004:

By FY 2005, the Air Transportation Stabilization Board's (ATSB)'s focus will have shifted entirely to monitoring its loan guarantee portfolio. Through its monitoring activities, which commenced in FY 2002, the Board tracks the financial performance of its borrowers and attempts to anticipate any future obstacles that the borrower's may face in complying with all aspects of the loan agreement, including timely payment of fees and principal. The ATSB also receives requests from borrowers for amendments to and waivers on certain terms of their loan agreements. The ATSB reviews these requests to determine their impact on the ATSB's credit position and votes on whether to approve the requests.

In FY 2005, the ATSB expects to receive a steady flow of amendment and waiver requests as it did in FY 2003 and FY 2004. If this happens, the ATSB will review these requests to determine their impact on the ATSB's credit position and take all the necessary actions to minimize any losses to the U.S. taxpayer.

Additionally, as of December 31, 2004, three of the ATSB's five remaining borrowers had filed for protection under Chapter 11 of the bankruptcy code. Only one of its borrowers had filed for bankruptcy protection as of fiscal year end 2004. The ATSB is working with each of these borrowers through the bankruptcy process to ensure that the taxpayers' interests are protected. The ATSB has taken and will continue to take all actions necessary to maximize the Federal government's recovery on each of these defaulted loans.

**FY 2006 PERFORMANCE PLAN (Exhibit 3c)**

FY 2006 Proposed Performance Plan:

In 2006, the Air Transportation Stabilization Board's (ATSB's) will continue to closely monitor its loan guarantee portfolio. The ATSB expects to receive a steady flow of waiver and amendment requests from its borrowers in 2006. Additionally, unless there is a significant turnaround in the airline industry, it is not unlikely that one or more of the ATSB's borrowers may attempt to restructure their government guaranteed loan because they are having difficulty repaying their loan or they have violated some other provisions in their loan agreements. The ATSB would then need to decide if it is in the taxpayer's best interest to restructure the loan or pursue other alternatives. Under these circumstances the ATSB members would need to rely heavily on input from its staff and its financial and legal consultants for assistance.

For FY 2006 the ATSB requests an increase of \$958,000. These funds will be used to perform analysis that allows ATSB to explore all the various alternatives that are available to it in the event of a loan problem.

## SECTION 4 – SUPPORTING MATERIAL

DETAIL OF FULL-TIME EQUIVALENT STAFF YEARS BY CATEGORY (Table 4.1)

Position Category	Actual FY 2004	Estimated		Increase/Decrease for FY 2006		
		FY 2005	FY 2006	Total Changes	Program Changes	Other Changes
Statutory executive positions.....	-	-	-	-		
Policy/program professional staff.....	6	6	6	-		
Administrative staff.....	-	-	-	-		
Secretarial and clerical.....	-	-	-	-		
Crafts and custodial.....	-	-	-	-		
<b>Subtotal.....</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>
Part-time & temporary full-time equivalent staffyears.....	-	-	-	-		
<b>Total full-time equivalent staff years.....</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Air Transportation Stabilization Program

DETAIL OF FULL-TIME EQUIVALENT STAFF YEARS BY GRADE (Table 4.2)

Grade	FY 2004 Actual	FY 2005 Proposed Operating Level	FY 2006 Budget Estimate
Executive Level 1.....			
Executive Level 2.....			
Executive Level 3.....			
Executive Level 4.....			
Executive Level 5.....			
<b>Subtotal.....</b>			
Senior Executive Service Level Pay Band 1/.....		1	1
Senior Executive Service Level 6.....			
Senior Executive Service Level 5.....			
Senior Executive Service Level 4.....	1		
Senior Executive Service Level 3.....			
Senior Executive Service Level 2.....			
Senior Executive Service Level 1.....			
<b>Subtotal.....</b>	<b>1</b>	<b>1</b>	<b>1</b>
GS-15.....	1	2	2
GS-14.....	2	-	-
GS-13.....	1	2	2
GS-12.....			
GS-11.....			
GS-10.....	1	1	1
GS-09.....			
GS-08.....			
GS-07.....			
GS-06.....			
GS-05.....			
GS-04.....			
GS-03.....			
GS-02.....			
GS-01.....			
<b>Subtotal.....</b>	<b>5</b>	<b>5</b>	<b>5</b>
Other.....			
<b>Total full-time equivalent staffyears.....</b>	<b>6</b>	<b>6</b>	<b>6</b>

1/ PL 108-136 abolishes the six levels of SES pay, and replaces it with a new performance-based system effective in January 2004.

# Air Transportation Stabilization Program

**EXPLANATION OF PROPOSED FISCAL YEAR 2005 BUDGET OPERATING LEVEL (Table 4.3)**  
(Dollars in Thousands)

OBJECT CLASS	FY 2005 Pres. Budget Estimated		+ or - Congressional Action		FY 2005 Enacted Level		Other Proposed Reprogrammings		Effect of Transfers, Prop. Supp./ Rescission		FY 2005 Proposed Operating Level		05 Legislative Proposal (Comparable)		FY 2005 Operating Level (Inc. Legis. Prop.)	
	\$	FTE	\$	FTE	\$	FTE	\$	FTE	\$	FTE	\$	FTE	\$	FTE	\$	FTE
11.1 Full-Time Permanent Positions.....	536	-			536	-			(16)		520	-			520	-
11.1 Other than Full-Time Permanent Positions.....	0				-						-				-	
11.5 Other Personnel Compensation.....	0				-						-				-	
11.8 Special Personal Services Payments.....	-				-						-				-	
11.9 Personnel Compensation (Total).....	536	-			536	-	-	-	(16)	-	520	-	-		520	-
12.0 Personnel Benefits.....	73				73						73				73	
13.0 Ben. Former Personnel.....	0				-						-				-	
21.0 Travel.....	68				68						68				68	
22.0 Transportation of Things.....	0				-						-				-	
23.1 Rental Paym'ts to GSA.....	198				198						198				198	
23.2 Rent Paym'ts to Others.....	0				-						-				-	
23.3 Commun., Util., & Misc.....	0				-						-				-	
24.0 Printing and Reprod.....	0				-						-				-	
25.1 Advisory & Assistance Services.....	1,869		(800)	-	1,069				-		1,069				1,069	
25.2 Other Services.....	50				50						50				50	
25.3 Purchase of Goods/Serv. from Govt. Accts...	0				-						-				-	
25.4 Operation & Maintenance of Facilities.....	0				-						-				-	
25.5 Research & Development Contracts.....	-				-						-				-	
25.6 Medical Care.....	-				-						-				-	
25.7 Operation & Maintenance of Equipment.....	0				-						-				-	
25.8 Subsistence & Support of Persons.....	-				-						-				-	
26.0 Supplies and Materials.....	4				4						4				4	
31.0 Equipment.....	2				2						2				2	
32.0 Lands and Structures.....	0				-						-				-	
33.0 Investments & Loans.....	-				-						-				-	
41.0 Grants, Subsidies.....	-				-						-				-	
42.0 Insur. Claims & Indemn.....	-				-						-				-	
44.0 Refunds.....	-				-						-				-	
<b>TOTAL BUDGET AUTHORITY</b>	<b>2,800</b>	<b>-</b>	<b>(800)</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16)</b>	<b>-</b>	<b>1,984</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,984</b>	<b>-</b>
<b>ACTIVITIES</b>																
Air Transportation Stabilization Program	2,800	6	(800)	-	2,000	6	-	-	(16)		1,984	6			1,984	6
2) Financial Policies and Programs.....					-	-					-				-	
3) Financial Crimes, Policies, and Programs.....					-	-					-				-	
4)Treasury-wide Management Policies and Programs.					-	-					-				-	
<b>TOTAL BUDGET AUTHORITY</b>	<b>2,800</b>	<b>6</b>	<b>(800)</b>	<b>-</b>	<b>2,000</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>(16)</b>	<b>-</b>	<b>1,984</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>1,984</b>	<b>6</b>

# Air Transportation Stabilization Program

STANDARD CLASSIFICATION SCHEDULE (Table 4.4)				
Direct Obligations (Dollars in Thousands)				
Object Class	FY 2004 Actual	FY 2005 Proposed Operating Level	FY 2006 Budget Estimate	Increases/ Decreases for FY 2006
Object Classification				
Personnel compensation:				
Permanent positions.....	434	520	520	-
Positions other than permanent.....	-	-	-	-
Other personnel compensation.....	-	-	-	-
Special personal services payments.....	-	-	-	-
<b>Total personnel compensation.....</b>	<b>434</b>	<b>520</b>	<b>520</b>	<b>-</b>
Civilian personnel benefits.....	70	73	73	-
Benefits to former personnel.....	-	-	-	-
Travel and transportation of persons.....	6	68	68	-
Transportation of things.....	-	-	-	-
Rents, communications and utilities:				
Rental payments to GSA.....	221	198	212	14
Rental payments to others.....	-	-	-	-
Other rents, communications and utilities.....	-	-	-	-
Printing and reproduction.....	-	-	-	-
Other services:				
Advisory & assistance services.....	1,467	1,069	1,523	454
Other services.....	76	50	540	490
Purchase of goods/services from Govt. accts.....	-	-	-	-
Operation & maintenance of facilities.....	-	-	-	-
Research & development contracts.....	-	-	-	-
Medical care.....	-	-	-	-
Operation & maintenance of equipment.....	-	-	-	-
Subsistence & support of persons.....	-	-	-	-
Supplies and materials.....	2	4	4	0
Equipment.....	-	2	2	0
Lands and structures.....	-	-	-	-
Insurance claims and indemnities.....	-	-	-	-
Confidential expenditures.....	-	-	-	-
<b>Total obligations.....</b>	<b>2,276</b>	<b>1,984</b>	<b>2,942</b>	<b>958</b>
Unobligated balance available, SOY.....				-
Unobligated balance available, EOY.....				-
Unobligated balance expiring.....				-
<b>Total enacted appropriations and budget estimate.....</b>	<b>2,276</b>	<b>1,984</b>	<b>2,942</b>	<b>958</b>
NOTE: Include carry over balances of unexpired accounts.				

**VERIFICATION AND VALIDATION OF DATA & PERFORMANCE MEASUREMENT DEFINITIONS (Exhibit 4f)**

**AIR TRANSPORTATION STABILIZATION BOARD (ATSB) BUDGET ACTIVITY**

Treasury Strategic Goal: Promote Stable U.S. and World Economies

Performance Goal: Improve citizen's economic security

**Performance Measure:** On-time payment of federal loan guarantee fees and repayment of underlying loans by borrowers.

Definition: Percent of fees and loan repayments made on-time.

How Data is Captured: Transaction data regarding guarantee fee payments come from the Financial Reporting Branch of Treasury's Departmental Offices.

Data Verification and Validation: Lenders confirm receipt of principal repayment to Bearing Point and ATSP staff. Verification is obtained through Treasury's and lenders' computer-generated transactions records.

Data Accuracy: Very Accurate